

Message Text

LIMITED OFFICIAL USE

PAGE 01 CAIRO 15259 161632Z
ACTION EB-08

INFO OCT-01 NEA-11 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 STR-07 CEA-01
IO-13 /083 W
-----101167 170932Z /11
R 161621Z JUN 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 0437

LIMITED OFFICIAL USE CAIRO 15259

E.O. 11652: N/A
TAGS: EFIN, EG
SUBJ: GOE RAISES INTEREST RATES

REF: CAIRO 6738

1. CAIRO PRESS JUNE 16 ANNOUNCED INCREASE BY CENTRAL BANK IN DISCOUNT RATE (RATE AT WHICH BANKS BORROW FROM CENTRAL BANK) FROM 7 TO 8 PER CENT. MOVE WILL PRESUMABLY TRIGGER SHIFT OF DEPOSIT AND LENDING RATES AT EGYPTIAN BANKS UPWARD BY A CORRESPONDING ONE PER CENT.

2. HIKE IN LOCAL INTEREST LEVELS IS MONETARY POLICY STEP CONSISTENTLY ADVOCATED BY IMF. IN CONNECTION WITH RECENT CONCLUSION OF EXTENDED FUND FACILITY AGREEMENT WITH IMF, GOE APPARENTLY UNDERTOOK RAISE INTEREST RATES BY ONE PER CENT THIS SPRING AND FURTHER ONE PER CENT DURING FIRST YEAR OF AGREEMENT (REFTEL). IN THEORY, RESULT SHOULD BE TO ENCOURAGE DOMESTIC SAVING AND SHIFT SOME RESOURCES AWAY FROM CONSUMPTION. INCREASED SAVINGS SHOULD MAKE ADDITIONAL FUNDS AVAILABLE FOR INVESTMENT (RESTRICTIONS ON EXPANSION OF DOMESTIC CREDIT, IMPOSED AS CONDITION OF 1977 IMF STAND-BY AGREEMENT AND ENFORCED IN PART THROUGH IMPOSITION
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CAIRO 15259 161632Z

OF ADDITIONAL RESERVE REQUIREMENTS HAD MADE EGYPTIAN POUND LOANS DIFFICULT TO OBTAIN). HIGHER INTEREST RATE, HOWEVER, WILL MEAN NECESSITY TO INVEST IN PROJECTS WITH HIGHER RATE OF RETURN, THUS INCREASING EFFICIENCY OF USE OF CAPITAL.

3. EGYPTIAN PROPENSITY TO SAVE, AND THEREFORE ACTUAL

EFFECT OF INTEREST RATE INCREASE, WILL DEPEND ON MIX
OF FACTORS, INCLUDING CHANGES IN INCOME LEVELS (BOTH
PUBLIC AND PRIVATE SECTOR WORKERS HAVE HAD RECENT WAGE
INCREASES) AND TAXATION (NEW TAX BILL HAS JUST BEEN
APPROVED BY PEOPLES ASSEMBLY). FURTHER MAJOR FACTOR, OF
COURSE, IS CURRENT AND PERCEIVED FUTURE LEVEL OF INFLA-
TION. WITH INFLATION IN RANGE OF 20 TO 25 PER CENT
MAY DO LITTLE TO STIMULATE SAVING OR ENCOURAGE INVESTORS.
EILTS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INTEREST RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 16 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CAIRO15259
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780253-1018
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780652/aaaabsme.tel
Line Count: 71
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 652ae287-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 CAIRO 6738
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2326932
Secure: OPEN
Status: NATIVE
Subject: GOE RAISES INTEREST RATES
TAGS: EFIN, EG
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/652ae287-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014